

# Star BUSINESS

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## 56 now in BGMEA polls fray

STAR BUSINESS REPORT

A total of 56 candidates will now contest the BGMEA polls scheduled for February 25 after the withdrawal of candidature by 62 persons yesterday.

Of the valid candidates, 42 are from Dhaka, while the rest are from Chittagong, according to a press release.

The election will be held on BGMEA Dhaka office and its Chittagong regional office premises simultaneously, the release adds.

BGMEA (Bangladesh Garment Manufacturers & Exporters Association) earlier set February 4 as the deadline for withdrawal of candidature.

## Inter-ministerial meet soon to resolve problems of sick industries

UNB, Dhaka

Industries Adviser Geetiara Safiya Chowdhury asked Sunday the secretary of her ministry to convene an inter-ministerial meeting soon to look into the causes of sick industries.

She stressed the need for the meeting of the line ministries, including finance, industries and law, and Bangladesh Bank, as the causes of sick industries are associated with the government agencies.

The adviser assured a delegation of the Bangladesh Sick Industries Association, led by its president Chowdhury Mohammed Ishak, of convening the inter-ministerial meeting to resolve the problems of the sick industries.

The delegation called on the adviser at the industries ministry demanding to keep the government-identified sick industries out of the purview of Money Loan Court Act 2003 and not to list them as loan defaulters.

The then government in 1991 identified some 3,499 industrial units as sick taking into consideration some 30 consequences, including banks' negligence, non-cooperation and whims.

The association demanded formation of an arbitration council for an interim period to look into the long-standing problems of the identified, registered and distressed sick industries as their cases were being dealt with the Money Loan Court Act for lack of a law on sick industries.

They also demanded enactment of a law to address the issues of the sick industries.

Senior officials and association leaders were present at the meeting. Later, the Industries adviser had a meeting with the Wholesale Sugar Merchants Association and assured the country's sugar industry of all possible support from the government.

## EASING CONTAINER CONGESTION CPA introduces 3 shifts at Ctg port

STAFF CORRESPONDENT, Ctg

In the face of a fresh container congestion-like situation, Chittagong Port Authority (CPA) has introduced three work shifts to ensure smooth operational activities at the country's premier seaport here from yesterday.

Under the new initiative, which aims at speeding up the port activities, handling operations at container and general vessels will also take place in three shifts.

Meanwhile, with around twenty

thousand TEUs (twenty equivalent units) of containers lying stockpiled, a fresh congestion-like situation prevailed once again at Chittagong Port.

A total of 19,961 TEUs of containers were lying at different jetties at the port yesterday.

Of those, there were 16,921 TEUs of imported containers including 1,965 ICD (inland container depot) bound ones.

The fresh congestion at the port was attributed to a reported slow rate of delivery of containers,

sources said.

Each of the newly introduced three 8-hour shifts is to begin from 8am, 4pm and 12am.

Earlier there were two 12-hour shifts starting from 8am and 8pm when only manual handling of bulk cargoes took place in three shifts.

According to sources, introduction of three shifts is expected to save time as working for twelve hours at a stretch in one shift used to cause wastage of two hours to three hours time.

## China says US complaint to WTO is 'pity'

AFP, Beijing

China has said it regrets a US decision to haul Beijing before the World Trade Organisation (WTO) over its industrial subsidies, calling Washington's move a "pity".

"It's a pity for the United States to seek (the) consultation process at the World Trade Organisation," a Chinese commerce ministry spokesman said late Saturday, according to the state-run Xinhua news agency.

The spokesman said authorities in Beijing would be "deliberating" the US case, adding that the two sides had "kept bilateral contact over the issue all along".

The United States filed its complaint with the Geneva-based trade body on Friday, with US Trade Representative Susan Schwab saying the time for negotiations had been "exhausted".

Her office said tax breaks and tariff exemptions encourage Chinese companies to buy Chinese-made equipment rather than imports, while financial incentives help firms to export their goods.

State subsidies for steel, paper, information technology and other industries allow China to export its goods on the cheap and so prevent US companies from competing fairly, both at home and in third markets, it said.

The US action triggers formal consultations between Washington and Beijing at the WTO. If those consultations fail to resolve the matter within 60 days, as is likely, Washington can appeal to a WTO dispute settlement panel.

It is the third time that the United States has taken China before the WTO since Beijing joined the organisation in 2001, but is the first case to cover such a wide array of complaints.

## US personal saving rate fell in 2006

XINHUA, Washington

The US saving rate for all of 2006, at a negative 1 percent, was the lowest level since the Great Depression more than seven decades ago, the Commerce Department reported recently.

For December, personal saving rate was a negative 1.2 percent in December, compared with a negative 1.0 percent in November, said the report.

The savings rate has been negative for an entire year only four times in history, in 2005 and 2006 and in 1933 and 1932. Negative personal saving rate reflects personal outlays that exceed disposable personal income.

Economists believe the historic lowest level of saving rate since 1933 was mainly due to the outspending during a five-year housing boom. As the US housing sector has cooled, they believe the saving rate will rise.

For December, personal income increased 60.6 billion dollars, or 0.5 percent, and disposable personal income, or DPI, increased 50.8 billion dollars, or 0.5 percent.

## Price indices on DSE mark significant rise

### Investors advised to be cautious

STAR BUSINESS REPORT

Price indices on the Dhaka Stock Exchange (DSE) yesterday posted significant rise amid continuous upward trend in those of some selective companies, mainly from banking and power sectors.

According to the DSE sources, prices of some 21 companies rose sharply during the last few days. In an internal assessment, the bourse has found the price earning ratio (PER) of the mostly traded securities at Tk 14.77 on an average, but the PER came down to Tk 13.11 when 21 companies were excluded, the sources added.

When contacted, DSE Chief Executive Officer (CEO) Salahuddin Ahmed Khan said investors should be more cautious and selective before investment.

Meanwhile, the DSE All Share Price Index, which includes all

issues on the premier bourse crossed the 1500 mark for the first time after its introduction in March 2005. DSE All Share Price Index also shot up by 31.85 points, or 2.13 percent, to close at 1527.33 points.

Turnover on the Dhaka Stock Exchange (DSE) dropped slightly, coming down to Tk 138.90 crore yesterday from Thursday's Tk 144.82 crore.

The benchmark DSE General Index increased by 38.59 points, or 2.11 percent, to end at 1865.18 points.

Of the 194 issues traded, 90 advanced, 91 declined and 13 remained unchanged. A total of 31165616 shares changed hands.

Brac Bank shares contributed to the rise of indices for the third consecutive day, market analysts said.

Closing at Tk 590.00, the prices of the bank's shares rose as high as Tk 596 and as low as Tk 570.

The analysts said the third generation bank got huge responses from investors during the last three days due to its good business track record.

The Brac Bank also topped the turnover leaders followed by Square Textile, Bexmico Pharma, Beximco Textile and AIMS First Mutual Fund.

Meanwhile, Brac Bank, Grameen Mutual Fund, AIMS First Mutual Fund, Power Grid Company and Desco topped the turnover leaders with 23106,050 shares worth Tk 56.89 crore, while trading on the Chittagong Stock Exchange (CSE) also closed higher yesterday with gainers dominating the losers.

The CSE All Share Price Index went slightly up by 0.04 percent to close at 4078.65 points while the CSE Selective Categories Index increased by 0.05 percent finishing at 2674.51 points.

## Dubai set to sustain economic boom

AFP, Dubai

The Gulf emirate of Dubai on Saturday unveiled an economic plan aimed at maintaining double-digit growth, achieving a gross domestic product of 108 billion dollars and increasing per capita GDP to 44,000 dollars by 2015.

The economic development plan was outlined by Sheikh Mohammad bin Rashid al-Maktoum, ruler of the regional business and tourism hub which is one of the seven members of the United Arab Emirates.

Economic aims set out in 2000 for the next 10 years "have been realized in half the time," with GDP reaching 37 billion dollars in 2005, said Sheikh Mohammad, who is also the UAE's vice-president and prime minister.

"The (2000) plan also included an increase in per capita income to 23,000 dollars by the year 2010. In

2005 the average per capita income reached 31,000 dollars."

Sheikh Mohammad said the new plan aims to sustain real GDP growth of 11 percent per annum for the next 10 years, increase per capita GDP from 31,000 to 44,000 dollars by 2015, increase productivity by four percent per annum and create new growth sectors with a sustainable competitive advantage.

Dubai has achieved an annual real GDP growth rate of 13 percent since 2000, with its economy growing faster than the emerging economies of China and India, he said.

Mohammad said another major achievement had been economic restructuring, with the non-oil sector contributing 97 percent to GDP in 2006 compared to approximately 46 percent in 1975, and the services sector contributing 74 percent.

## UAE weighs price of trade pact with US

AFP, Abu Dhabi

The United Arab Emirates is mulling whether to make political concessions to the United States and win a market of 300 million consumers in a free trade pact that has eluded both countries for nearly two years.

Several rounds of negotiations on the free trade agreement (FTA) have failed to produce a deal and sources close to the talks cited US conditions involving UAE measures to improve its human rights record and authorize labour unions.

In return, Washington promised to open up its markets to UAE

exports to ease a painful trade deficit and support Abu Dhabi's bid to acquire technology needed for an ongoing programme to diversify its economy and lessen reliance on oil sales.

A spokesman for the US embassy in Abu Dhabi told AFP that the two sides will meet on February 9 but did not say where, and it was not clear if the meeting would amount to a full-fledged round of negotiations.

"The United States and UAE officials are meeting on February 9 to discuss next steps on the FTA and the US-UAE trade and investment relationship," the spokesman said.

"We are studying some US proposals and will respond to them," said a UAE finance ministry source.

The source gave no details of the proposals but diplomats close to the negotiations that started in early 2005 said they included demands for the UAE to allow the establishment of workers' unions and take more measures to improve its human rights record.

"These are political demands but there were other conditions as well," one Western diplomat said, requesting anonymity.

"They include further measures to protect intellectual property, the opening up of the UAE oil sector to US companies on production sharing basis, tearing down all barriers to US products and permitting American firms to have 100 percent ownership in UAE projects."

## Corporatisation of NCBs – doing it right the first time

MAMUN RASHID

Power corrupts and power with money corrupts absolutely. Political governments with access to the public money and without a robust framework for accountability are bound to make politically-motivated decisions on utilisation of the money. We have seen this happen in Bangladesh so many times since the independence. Directed and excessive borrowing from the nationalised commercial banks (NCBs) has affected the financial system. Money from NCBs has been used to drive political agenda, give unrecoverable loans to 'politically blessed' persons and sustain inefficiency of the state-owned enterprises (SoEs). Result? Three unquestionable champions of insurmountable amount of bad debts, losses, trade unionism and inefficiency. So, is corporatisation of Sonali, Janata and Agrani going to change it all? Let us explore this below.

The World Bank, the International Monetary Fund (IMF) and other development partners have been asking the government to corporatise the NCBs to improve services. Under the corporatisation process, shares of the three banks will be divided into certain units and the banks registered with the Registrar of Joint-Stock

Companies so that shares could be offloaded easily. The government will own one hundred percent shares of the banks even after their corporatisation. A board of directors comprising 7 to 12 experienced members will be formed. But no director will hold the position for more than three years.

Corporatisation entails separation of management from the owners while transforming an entity into a body with limited liability having perpetual succession. Corporatisation allows a number of significant benefits to the entity as well as to the economy as a whole. Primarily, it extends the rights, duties and privileges of a natural person to a legal entity. These rights include among others the right to borrow money and invest funds, own property, sue and be sued and enter into contracts. In addition, transferability of ownership interests is possible.

The separation of ownership and management allows professionals to administer and manage the affairs of an entity. While discharging their duties, they are bound to act honestly and with skill, care and diligence. Presence of professional management promotes credibility and effectiveness in the operations of the entity. Being entitled to the above rights and privileges, a corporate entity is

better placed to raise equity and debt funds. It has easy access to capital market for raising long-term funds. Corporatisation, therefore, is the means by which companies seek to improve competitiveness and access to capital and borrowing in local and global markets. With respect to the NCBs, the corporatisation approach involves improving managerial incentives and clarifying budget constraints on public enterprises, so their performance improves without the government relinquishing ownership.

The benefits of corporatisation to economy primarily come from improved transparency and accountability. The corporate entities are required under the law to maintain proper records of operations and business affairs. Disclosure requirements are generally set out in the law along with the responsibilities for preparation and circulation of specified statements. The comprehensive legal and organisational framework within which corporate entities operate gives rise to a well-regulated and well-documented economic sector.

As we can see above, the key success factors on which the benefits of corporatisation rest are firstly, true separation of ownership from management and secondly, institution of an effective body of management. In the cases of NCB

corporatisation in Bangladesh, it is envisaged that the management of these banks will be controlled by Bangladesh Bank, as opposed to the Ministry of Finance which is currently managing these banks. In Bangladesh, the central bank is pseudo-independent or is indirectly controlled by the Ministry of Finance. Currently, the Board of Directors and top management team of NCBs are selected and appointed by the Ministry of Finance. So, what difference would it make if control of the NCBs shifts from the Ministry of Finance to the Bangladesh Bank? There is an obvious and potentially major difference here. While the Ministry of Finance is a direct machinery of a political government and exists for the sole purpose of implementing its political agenda, the Bangladesh Bank is supposed to be independent with respect to formulation of monetary policy and banking supervision. Therefore, control of the NCBs by the central bank presents one more layer of institutional filtration process to pass for a political regime. However, much depends on the political will and honesty of the elected government.

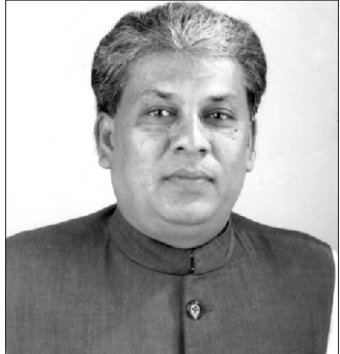
On the second key success factor for corporatisation i.e. institution of an effective body of supervision and management, there are

a couple issues that needs to be highlighted. Composition of the Board of Directors will play a major role in the future direction of the corporatised banks. Will the Board members be capable of providing effective guidance to a bank in a highly competitive market and extremely demanding growth or transition economy? That depends on who is sitting on the board. Pull together a team of highly competent people of the country, say very best art directors, researchers, doctors, engineers, professors, lawyers, diplomats or religious leaders and ask them to run a bank. Well, its anyone's guess that even the best talents and highly competent people, without any clue or understanding about how an economy or market runs will be able to make much difference to the fate of our beloved NCBs. For this we need seasoned bankers, private sectors leaders or people with clear understanding about the role of SoEs or banks in a transition or market biased growth economy, who also have learned the rules of survival in a highly competitive environment and have shown the mettle to succeed. On the other hand, the CEO of the corporatised entities needs to be sufficiently empowered to carry out the necessary reform without any fear of retaliation. The top management

should have the necessary authority to streamline the banks for bringing in the efficiency, even in the wake of constraints. In Pakistan as well as few other Asian countries, this process has ensured greater transparency and reliability for the banking sector and afterwards through privatisation, the full circle was completed with greater participation of the small investors, capital market operators as well foreign investors.

Whoever initiated this approach of corporatisation of the NCBs, its definitely a positive step towards achieving greater financial system efficiency. However, realising the full benefits of corporatisation will ultimately depend on effective separation of ownership from management, composition of the board with capable people and empowerment of the management. All these should be, of course beyond immediate interest of the government, which is reportedly getting the possible aid tranche disbursement from the development partners. With a forward-looking government in place, we at least should be able to look beyond the small box and able to capture the mid-term benefits of market friendly deregulation and reforms, if not long term.

The writer is a banker



Sarwar Wadud Chowdhury

## President of PET flakes exporters' assoc reelected

Sarwar Wadud Chowdhury has been reelected president of Bangladesh PET Flakes Manufacturers & Exporters Association for the next two years term, says a press release.

The other office bearers of the association are Jasimuddin Ahmad, senior vice president, Syed Nahidur Rashid, vice president, and Md Abul Kashem, N Hasan, Bishwajit Saha, Tofael Ahmed, Md Abu Tayyab, Fazal Mahmud, Hafizullah and Badrul Islam, directors.